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# Canadian Agriculture and the War

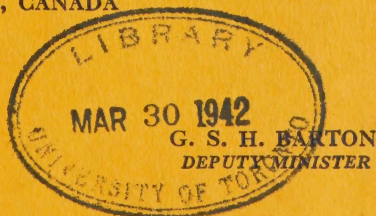
- Progress made in 1941
- Government Policies and the Outlook for 1942



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# Canadian Agriculture and the War

*As of December, 1941*

## *Progress made in 1941, Government Policies, and the Outlook for 1942*

THE TEMPO of agricultural production has been stepped up appreciably during the last year. Much of the uncertainty that characterized the early months of the war, and which led to disappointment among farmers anxious to contribute to the war effort, has disappeared. A few divisions of agriculture are still adversely affected by restricted export outlets, but increased British requirements both in quantity and variety of product have combined to broaden the demand for Canadian food supplies. This has meant not only an opportunity but an obligation—a challenge to greater effort by producers.

On the domestic front, too, the situation has changed considerably. There has been a marked increase in employment during 1941 and payrolls are now running higher than ever before. New demands have thus been created. Moreover, the number in the armed forces has increased and fighting men consume more than civilians.

What has been the net effect of these changes on agriculture? How have particular groups been affected? And what are the prospects ahead, assuming the war continues throughout 1942? These are some of the questions farmers are likely to ask in the next few months. They are the questions discussed in the following pages.

### *Position of Farming Improved*

Agriculture has emerged from the second year of the war in a stronger position than it was in when the conflict began in September 1939. Despite a light grain crop in

Western Canada the total cash income from the sale of farm products in 1941 is expected to run about \$125 million in excess of the \$715 million of 1940.

Cash income from the sale of farm products in the Prairie Provinces together with payments made under the Prairie Farm Assistance Act, for the crop year 1940-41, was \$417 million. The 1941 crop was only about half that of 1940, but the increased income expected from live stock and live stock products in the crop year 1941-42—probably \$35 to \$40 million—along with funds provided under the Prairie Farm Assistance Act, the Wheat Acreage Reduction Program and the Prairie Farm Income Payments, will bring the total to about \$400 million. For the crop year 1938-39—the year preceding the war—the comparable figure was \$285 million.

### *Higher Prices for Farm Products*

The greater income received by farmers this year is the result of higher prices and increased sales. The index of the prices of farm products for November was 74.1 compared with 58.4 in August 1939 (1926=100). This represents an increase of 27 per cent. If wheat, which is the object of a special assistance policy, is excluded from the calculation, the index for November 1941 would be 94.8. Compared with an index of 94.0 for all commodities the purchasing power of farm products, other than wheat, was about 100. The animal products index in the same month was 102, which put these products at a level 35 per cent higher than at the outbreak of war, and gave them a purchasing power of 108. In other words, a specified quantity of these products would buy 8 per cent more of the goods and services included in the "all commodity" index than the same products would buy in 1926.

### *Increased Consumer Purchasing Power*

One of the reasons for higher prices and increased farm income is a greater demand for farm products throughout Canada. The consuming public is buying more food than

it has for many years; and the greater purchases are, in turn, attributable to increased consumer buying power. The national income in the fiscal year 1941-42 will be close to \$6 billion—the highest in Canadian history. The November index of physical volume of business, which is one of the best measures of national activity, was running about 32 per cent ahead of the average for the period 1935-39. Industrial production in the same month was 43 per cent above the same base period. Employment figures indicated an increase of 66 per cent in numbers of workers in October, compared with the 1926 average.

### *Export Contracts*

Another reason for the improvement in the position of Canadian agriculture during 1941 is the fact that Britain has taken an increased volume of many farm products, and at higher prices. Farm income has also been increased very substantially through the granting of subsidies of various kinds by the Dominion and by several Provincial Governments.

### *The Labour Problem*

In some parts of Canada, notably in areas tributary to large industrial centres, farmers have had difficulty obtaining sufficient help during the past year. Although steps will be taken to deal with this situation, it is likely that some difficulty will again be experienced in 1942. Many farmers are meeting the problem by greater use of machinery. Purchases of such equipment in 1940 totalled \$47 million, the highest for many years, and 1941 will undoubtedly show a further increase. The biggest increase occurred in the purchase of tractors, combines and tillage equipment, where maximum labour saving could be effected.

While the supply of farm machinery in 1942, under war conditions, may be subject to some limitation—thus suggesting the need for conservation and upkeep of present equipment—it is expected that the necessary supply of most essential machines will be available.



With the developing scarcity of farm labour, wage rates have risen. A survey made by the Dominion Bureau of Statistics in August, 1941, revealed that the average wage then being paid for male help was \$35.64 per month compared with \$27.76 in 1940. The comparable wage in 1926 was \$41.

In some areas the increase in 1941 over 1940 has been greater than is suggested by averages, but in the main, these are also the areas where the greatest increase in farm income has occurred. On the whole, increased income has more than offset higher wages.

### *The Consumer Situation*

Consumers have been heard to complain that the increases in food prices already noted mean higher living costs. They do, of course, and there is some basis for complaint, if one compares present prices only with the relatively low prices prevailing in the period immediately preceding the war. But such a comparison is hardly fair to agriculture.

To put the matter in its proper perspective one must go back a few years to a period of normal relationships. If one compares present food prices with those of 1926, for instance, it will be found that the index in November was only 94.1. On the other hand, industrial wage rates, which under present conditions of employment are a fair measure of the income of large masses of urban dwellers, stood at 109.6 in 1940—and were higher in 1941. But even at 1940 wage rates and November, 1941, food prices, the wage earner's hour of work would buy 16 per cent more food than it did in 1926. And if the comparison be made with 1913, the position of the wage earner is still better, for in the meantime food prices have advanced only 42 per cent while wage rates in 1940 were 104.1 per cent higher than those of 1913. On this basis the pay received for an hour's work was worth 44 per cent more in terms of food purchases than it was in 1913. So while the prices of

farm products have advanced during the past two years—and food does cost more than it did at the outbreak of the war—the consumers of this country are still, in effect, getting cheaper food than they did in periods that have generally been considered normal.

### *Efforts to Prevent Inflation*

The increase in prices that occurred during the spring and summer of 1941 gave rise to the fear that price inflation such as developed during previous wars was imminent. Believing that such a development was undesirable, steps were taken to strengthen and extend the measures already in effect to stabilize prices and urban wages. Price ceilings were announced, effective December 1, 1941, on all commodities except fresh fruits and vegetables. The net effect of this order is the setting of maximum retail prices for most farm products but, recognizing the peculiar nature and scope of the trade in these products, provision has been made to exempt sales made by farmers to dealers, processors or manufacturers, from its provisions.

In the development of this policy the government recognized that the prices of many farm products had risen to a point where they bore a fair relationship to the prices of other products. Where they did not, and more especially where increased prices are necessary to ensure adequate supplies to meet commitments made to Britain, the price to producers will be increased by government bonuses or other means. Reference is made to such cases in this pamphlet. While producers will, in this way, receive additional income the application of the price ceiling will not be affected.

So much for the general situation! What of particular products or groups of products?

### *The Wheat Situation*

Heavy crops in 1939 and 1940 together with the cutting off of practically all Western European markets

resulted in heavy accumulations of wheat in Canada. Limited prospective marketings and shortage of elevator space made quota deliveries necessary in 1940 and again in 1941. The advance payment of 70 cents, basis No. 1 Northern, made on the 1940 crop, is again being made for the crop year of 1941-42. Participation certificates are also being issued and the policy of paying farm storage on undelivered portions of the 230 million bushel total delivery quota is being continued.

The Wheat Acreage Reduction Program, introduced this year in order to reduce production to market demand and physical handling capacity, resulted in a reduction from 27.5 to 21.6 million acres sown to wheat, according to the Dominion Bureau of Statistics, and an increase of 3.4 million acres sown to coarse grains. Figures compiled from records of the Wheat Acreage Reduction Office of the Department of Agriculture show an even greater reduction in wheat and an increase in coarse grains. The additional feed supplies acquired as a result of this shift, despite poor yields, will do much to encourage live stock production at a time when this is greatly needed.

It is estimated that in the crop year 1941-42 the Dominion Government will distribute some \$60 million to farmers in the spring wheat area. This is made up of an estimated \$30 million under the Acreage Reduction Policy, more than \$10 million under the Prairie Farm Assistance Act, and about \$20 million as Prairie Farm Income payments provided for in an Order in Council of October 22, 1941. The latter amount is made available on the basis of acreage in order to provide much-needed additional income in areas of complete or partial crop failure. This \$60 million, added to the \$100 million that the prairie wheat crop will bring, assuming deliveries of 200 million bushels and an average price of around 50 cents per bushel for all wheat at the farm, will result in a total of \$160 million, or the equivalent of 80 cents per bushel at the farm.



Important as wheat is in our farm and national economy one must not allow its position to becloud the whole agricultural picture. About two-thirds of the farmers of Canada are more concerned with other products than with wheat. Moreover, many of those specializing in wheat production have in recent years, turned their attention somewhat more toward live stock and live stock products. The substantial increase that has occurred in the price of farm products other than wheat has real significance to these farmers.

### *Expansion of Bacon Contract*

In the third year of the war Canadian farmers are being asked to produce 600 million pounds of bacon for the British market. This represents an increase of 175 million pounds over last year's contract and is nearly double the amount shipped in the first year of the war. The contract price this year will be \$19.77 per 100 pounds Grade A Wiltshire at seaboard—a substantial advance over last year. In addition the various Eastern Provinces are paying special bonuses of from 50 cents to \$1 per hog or carcass, on a grade basis. Returns from these exports added to domestic sales will result in a considerably greater income to Canadian farmers. With an assured market, favourable prices and—in the East and in B.C.—assistance in the form of governmental assumption of freight charges on western feed grains, hog producers can make plans for 1942 with considerable confidence.

### *Beef Cattle*

Prices of beef cattle advanced appreciably in 1941 to a point equal to, or above, the prices prevailing during the late 1920's. Depletion of farm and range herds during the period 1934 to 1939, a more favourable outlet in the United States, and more recently, increased purchases resulting from higher payrolls and restricted pork consumption, are the factors responsible for the upward trend in prices.

Production turned upward in 1940 and the increase is likely to continue for some years. This would normally mean a flattening out and eventual reduction of prices, but with a strong demand existing—full employment plus military requirements, and the possibility of further diversion from pork to beef consumption—prices are likely to remain fairly strong throughout 1942. The available outlet in the United States should be as good as during the past year and should tend to support the Canadian market.

### *Dairy Products*

Unprecedented drought conditions in Ontario and Quebec during the past summer made curtailment of domestic consumption necessary in order that shipments to Great Britain of 112 million pounds of cheese from the production of 1941, could be made possible. Exports of that amount were provided for in the agreement with the British Ministry of Food administered by the Canadian Dairy Products Board. The previous contract was for a minimum of 78·4 million pounds, and 92·3 million pounds were actually exported. The 1941 contract price, 14·4 cents at Montreal, was supplemented by an additional 1·6 cents paid by the Dominion Government, and by bonuses of 2 cents by the Ontario Government on all cheese made in that province and 2 cents by the Quebec Government on cheese of No. 1 grade made in Quebec. The Dominion Government's quality payments of 2 cents on 94 score and 1 cent on 93 score cheese were continued. The combination of these prices and bonuses resulted in the equivalent of 19 cents per pound at Montreal during most of the past season.

The present contract with the United Kingdom runs until March 31, 1942. While nothing definite can be said with respect to prices and policies thereafter, there is reason to believe that they will be such as to provide a reasonable return. Under such circumstances, and given



a favourable pasture season, it is hoped that cheese production and exports for the next contract year will show an appreciable increase.

The contract with the British Ministry of Food for shipment of evaporated milk in 1941 was 658 thousand cases, compared with 751 thousand the previous year. The reason for the reduction is found in the preference expressed by the Ministry of Food for dairy products in the form of cheese, as far as possible. It was the wish of British authorities that Canada restrict her exports of evaporated milk to a quantity sufficient to meet the requirements of certain Empire countries.

Effective December 22, 1941, a subsidy of 40 cents per 100 pounds over a minimum price of \$1.70, or on the present price, whichever is higher is being paid for milk delivered by producers to manufacturers of concentrated milk products.

The manufacture of creamery butter was encouraged during the past summer by the establishment of minimum prices effective May 10, 1941. Unfavourable pasture conditions during the summer months together with favourable prices for cheese tended to restrict butter production in Ontario and Quebec though the output for the country as a whole, was about 9 per cent in excess of that of a year ago. Despite this increase in production, domestic demand was such as to create prices substantially higher than those established by the Dairy Products Board. The increase in income resulting from this combination of higher prices and greater output amounted to about \$30 million for 1941. There is reason to expect reasonably favourable prices in 1942 but there is no desire to increase butter production at the expense of cheese. Domestic consumption has, in the past, taken care of all but a very small quantity of Canadian butter production and there is no desire to change that position at present.

In order to encourage milk production a subsidy of 30 cents per 100 pounds is being paid by the Dominion Government on fluid milk in all areas where no increase in price has taken place since August 1, 1941.

## *Eggs and Poultry*

From the beginning of the war to May 1, 1940, eggs were exported to Great Britain by private firms to private British importers. In May, 1940, the British Ministry of Food became the sole importer and on April 15, 1941, control of exports by Canada was assumed by the Special Products Board. Exports from Canada amounted to 1.27 million dozens in 1939, 10.98 million dozens in 1940 and approximately 16.3 million in 1941.

In the spring of 1941, four contracts totalling 13.8 million dozens were entered into, half for shipment as fresh eggs and the balance to be stored for shipment in the fall. The removal of these eggs from the domestic market during the fall and summer months contributed toward an increase of from 4 to 8 cents per dozen compared with prices during the same period in 1940. Subsequently, contracts for an additional 23.1 million dozen for shipment from December 1, 1941 to May 1, 1942, were made. The contract price for eggs produced during the winter months was 32.12 cents per dozen, Grade A, f.o.b. Canadian seaboard, and that for eggs shipped between March 1 and May 31, 28.79 cents.

In order to encourage the production of eggs the payment by the Dominion Government of a bonus of 3 cents a dozen for Grade A eggs purchased by the Special Products Board for export to the British Ministry of Food, was announced on December 19, 1941. An additional one-half cent per dozen will be paid for all eggs which are oil-processed. The bonus will be paid as an addition to the contract price at which the eggs are being sold to the Ministry of Food, and was effective on eggs purchased for export from producers on or after December 22, 1941. The authorization of this subsidy and the expectation that further contracts with British authorities will supplement those now in effect will do much to brighten the outlook for poultrymen in 1942.



The outlook for dressed poultry, as far as the British market is concerned, is not bright. British authorities announced earlier in the war that poultry would be considered a luxury product and its importation prohibited. Since May 1, 1940, no poultry has been forwarded to Britain. Nevertheless, the industry has done fairly well on a domestic market strengthened by increased buying power and improved marketing methods. With full employment and large pay envelopes likely to be maintained throughout 1942, the demand for poultry should continue strong.

### *Fruits and Vegetables*

During the first year of the war Britain took only half her normal import of fresh apples from Canada and in the second year none at all. Of the 1941 crop, 1.2 million boxes and 110 thousand barrels of apples have been shipped, whilst the product of 550,000 barrels has been evaporated for shipment.

Because of the importance of the apple industry and the necessity of maintaining its productive capacity until such times as overseas markets could again accept shipments, the Dominion Government has, each year since the outbreak of war, provided guarantees involving substantial expenditures, to ensure reasonable returns to growers and handlers of the crop. As a part of this undertaking the Government has subsidized the processing of large quantities of surplus apples. Most of this product—100 thousand cases of evaporated and 425 thousand cases of canned apples—has been shipped to the British Ministry of Food or supplied to the Red Cross as a donation by Canada for distribution in Great Britain.

The 1941 crop estimated at 10.3 million bushels is the smallest since 1928 but overseas shipments together with domestic demand and government guarantees will ensure a reasonable income for the industry this year. The estimate of the 1941 potato crop indicates a production of 65.2 million bushels, which is approximately 5 million

bushels less than the 1940 and the ten-year period, 1930-39, annual output. Prices this year are running considerably above those of a year ago. Usually under such conditions the acreage planted to potatoes the following spring is increased.

While it is difficult to forecast the position in which other divisions of the fruit and vegetable industry may find themselves during the coming year, owing to the diversity and seasonal nature of production, it is of interest to note that increased demands are being received from the British Ministry of Food for processed products that will help to strengthen the situation. Canned tomatoes, onions, apple pomace and various quantities of strawberries, raspberries, black currants, plums and prunes in SO<sub>2</sub> solution, have been forwarded, or will be shipped in coming months under the auspices of the Canadian Special Products Board. A strengthening domestic demand has done much to improve the position of the industry as a whole during the past two years. The price of 15 fruits in November 1941 had an index of 106.4 compared with 87.7 a year ago. Improved conditions are likely to be maintained throughout 1942, but the profitable disposition of seasonal and local surpluses, whenever they occur, will continue to present a problem.

### *Miscellaneous Products*

Production of fibre flax, requested by the British Ministry of Supply, was stepped up from 8 thousand acres in 1939 to 42 thousand acres in 1941, and further increases are expected. The Dominion Government has assisted the industry through the expenditure of a considerable sum of money to provide necessary processing machinery.

The elimination of normal sources of supply of many varieties of vegetable and field root seeds has brought a substantial increase in the production of these seeds in Canada. The value of the 1941 output will be about \$2.5 million compared with \$1 million in 1939.



After reaching record acreage and production in 1939, the existence of large stocks of tobacco, difficulties of securing exchange, shipping and import licences, curtailed exports in 1939-40. This caused a drastic reduction in acreage in Ontario and Quebec in 1940. Meanwhile with a quota of 8 million pounds already being filled and an additional five million recently granted by British authorities this year the export situation has improved. This together with an expansion in domestic consumption, will more than offset the larger crop produced in 1941.

During the fiscal year 1939-40 and before imports were controlled by the British Ministry of Food, exports of honey from Canada jumped from a little more than 1 thousand long tons to 4 thousand long tons. Under the control exercised in 1941, only 2 thousand long tons were exported. A similar quota has been allotted this year for the period ending August 30, 1942. Total Canadian production at 27 million pounds in 1941 is about 3 million pounds higher than in 1940, but improved domestic conditions are expected to ensure prices slightly above the 10·2 cent average of last year.

As a result of a substantially larger corn crop in 1941 and prices which, due to restriction on imports and shortage of other feed grains, are running higher than a year ago the income of corn producers from the sale of corn during the crop year 1941-42 is expected to exceed by \$2 million the income of 1940.

The price of wool under government wartime control during 1941—23 cents per pound unwashed basis at Montreal—has been about double that prevailing just prior to the war, but domestic use has not been all that might be desired. An easing of the export control permitting certain quantities to move to the United States has improved the situation somewhat and it is expected that the outlet in the Canadian market will improve in 1942.

Most other farm products have benefited by increased prices or larger volume marketed as a result of the general improvement in demand, during the past two years.

## *Freight Rate Assistance Policy*

A shortage of feed grains in Eastern Canada which threatened curtailment of the output of live stock products and which might thereby affect our exports to Great Britain, impelled the Dominion Government to assist the farmers of Eastern Canada and British Columbia to the extent of paying the freight charges on feed grains moved from the Prairie Provinces. This policy is in line with measures announced in October, 1941, for the assistance of farmers in other parts of Canada. Expenditures under this revised policy, it is expected, will total \$6 million.

## *Looking Back Over 1941*

Looking back over the year that is now drawing to a close it is apparent that much has happened to strengthen the position of agriculture. Farm income has increased appreciably. Increased quantities of bacon, cheese, eggs, processed fruits and other products have gone forward to Britain and at higher prices than prevailed in 1940. Subsidies and other forms of assistance paid by the Dominion and Provincial Governments have added considerably to the producer's returns for some of these products. For those products dependent, in the main, upon the domestic market increased consumer buying power has resulted in greater purchases at higher prices. All in all the net result has been a very material increase in farm income.

The situation has not been without some unfavourable aspects, however. The position of the wheat producer remains far from satisfactory, but the problem has been met, in part at least, by the introduction of government policies providing increased financial aid. Many wheat producers have also stepped up their output of live stock products and have in this way added considerably to their income.

Costs have risen and labour has become scarcer and more expensive. To meet these difficulties farmers have acquired additional machinery and have increased their



operating efficiency. Additional hands have also been pressed into service, wherever possible, and everyone has worked a little harder. The clarification of Britain's requirements—the knowledge that more food was required—encouraged this greater effort. But second only to this incentive was the fact that more income was available to meet the increased costs entailed.

### *1942 Expectations and Objectives*

What of 1942! What can farmers look forward to in the year ahead? What demands are likely to be experienced and how can they be met? Obviously answers to all the questions that might be raised, cannot be given. Certain things are known, however, and on the basis of these and the assumption that the war will continue to dominate economic policies in 1942, it is possible to draw some conclusions and define certain objectives.

Live stock producers, who represent much the largest interest in Canadian agriculture, can make their preparations for 1942 in confidence that all they can produce in animals and animal products will be needed and that the present price will be maintained.

Six hundred million pounds of bacon and other pork products for export and three hundred million pounds for domestic consumption is the objective in the third year of the war. Under trade agreement and quota arrangements with the United States an outlet is available for all the surplus beef cattle that are now in sight. A ready market for all the lamb that can be produced and an increasing demand for Canadian wool are indicated.

The focal point in dairy production is cheese. Next year's contract for export is still to be settled but it is expected that Canada will be able to export a larger quantity than in 1941, and at higher prices. The dairy situation calls for more dairy cattle and increased production.

The poultry producer is afforded an unprecedented export outlet for eggs and a continuing increased domestic demand is to be expected with virtually assured prices that should be satisfactory for quality products efficiently produced.

To fortify this live stock position, increased production of feed supplies in both Eastern and Western Canada is necessary. Higher yields of farm crops and in the Prairie Provinces particularly, larger acreage of coarse grains should be the objective. Wheat acreage will have to be adjusted in accordance with market outlet for 1942 and to meet feed requirements. Agricultural policy will encourage this development.

Growing need for a variety of other products is to be expected, and for export and domestic use will include concentrated milk products, flax for fibre, feed and oil, fresh fruits and fresh vegetables, particularly carrots, beets and cabbage, processed fruit and processed vegetables, sugar beets, honey and maple products.

Full scale production in agriculture with emphasis properly placed is called for. Shortage of many materials is upon us and labour is insufficient for all purposes. These limitations must be met and overcome; more effective use of what is available must be made. While special adjustments as between farms, and on individual farms, will be necessary, Canadian agriculture is prepared for special demands and quite capable of overcoming obstacles in meeting them. Farm objectives can only be reached by careful planning, sound direction and hard work.

It is hoped that this review will make clear what is required in the production of our major farm products. It should also indicate that there is opportunity for the profitable production of these products. But the decision as to what should be produced on an individual farm is one that the operator himself must make.





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